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SUBJECT: BOSNIA: BREAKAWAY CROAT "HDZ 1990" BUILDS ITS  
RANKS

Classified By: AMBASSADOR DOUGLAS MCELHANEY. REASON: 1.4 (B) AND (D).

11. (C) SUMMARY AND COMMENT: Breakaway ethnic Croat "HDZ 1990" made a dramatic entry into BiH politics on April 26, when it co-opted enough key parliamentary votes to block constitutional reform. Since then, it has tried to ride on the momentum as it builds local party structures. Lacking definition, HDZ 1990 is currently running on negatives: "no" to constitutional reform, "no" to the entity structure, "no" to Covic (the leader of the mainstream HDZ party), "no" to the international community and the U.S.. And while HDZ 1990's party president, Bozo Ljubic, once tried to position himself as a pro-European moderate, he is increasingly waving his headline credentials. That is no surprise; many of HDZ 1990s members have a well-established reputation as Croat nationalists (some associated with the discredited "Third Entity" movement). HDZ 1990's appeal to the nationalist right likely means that Covic's HDZ will increasingly run to the right as well; both will seek coalition partners among the small Croat parties. HDZ 1990's success in the elections depends on its ability to gain backing from them as well as from the Catholic church (and potentially the HDZ in Croatia). For now, Covic dismisses HDZ 1990 as lacking both structure and votes (he thinks they will be unable to cross the minimum vote threshold come October). Publicly, Covic -- a tough streetfighter not to be underestimated -- is trying to remain above the fray, while ensuring that he throws every legal obstacle possible into HDZ 1990's path. END SUMMARY.

FIRST, STOP CONSTITUTIONAL REFORM . . .

12. (C) Over the past few weeks, breakaway ethnic Croat "HDZ 1990" has focused on defining its public profile. To gain traction with Croat voters, HDZ 1990 needed to be seen as more than the by-product of the poisonous personal relationship between its leader, Bozo Ljubic, and HDZ's party president, Dragan Covic. Ljubic (whose bid for the HDZ Presidency last June failed due to a -- probably fraudulent -- vote count at the party congress) found his defining issue in the BiH Parliament: the U.S.-brokered, EU-backed constitutional reform. With Covic among the reform's negotiators, Ljubic calculated that he could position himself as the "true" protector of Croat interests, while at the same time differentiating his party from Covic's HDZ. As a result, Ljubic sped up his breakaway party's formation, holding a hasty founding Congress on April 8; the party's first "proper" Congress will be held in July.

13. (C) Ljubic drew valuable backing from Croats burned by Covic's autocratic attitude. Covic's decision in November

2005 to kick the speaker of the BiH House of Representatives, Martin Raguz, out of HDZ's ranks backfired. Raguz joined Ljubic in HDZ 1990; eventually, Raguz' influence in the House meant that HDZ 1990 was able to pull four of five HDZ parliamentary delegates into the "no" column when constitutional reform came to a vote on April 26. During end-game negotiations, it became clear that HDZ 1990's delegates would not agree to ANY compromise proposal (including a retrograde idea to give Croats an ethnic veto over all legislation). Rather, HDZ 1990 argued that the elections should be postponed two-three months, giving them much-needed time to consolidate their party while pretending to "negotiate." Their ploy failed; the parties backing constitutional reform recognized it as an effort to whittle away at the solid 26 votes in favor of the package and expand the 16 against, and went ahead with the vote in parliament -- regrettably, however, failing to reach the required two-thirds majority by two votes.

. . . THEN DEFINE A PLATFORM

14. (C) Ljubic has trumpeted the failure of constitutional reform as a victory for his nascent party, and is counting on it to give him momentum. But he still has to define HDZ 1990 more broadly. This is no alliance of moderates; HDZ 1990 will run to the right, not the center. Raguz' relative moderation in the BiH parliament over the past couple of years had helped him overcome his former association with the "Third Entity" movement (which favored construction of a Croat-majority entity in Herzegovina and was disbanded by the High Representative in 2002). However, Raguz has returned to his roots. Other troubling hardliners can also be counted among HDZ 1990's adherents: Vinko Zoric, a Croat member of the BiH House of Representatives (a known advocate of Croat self-rule), Slavica Josipovic, Pero Markovic, and Ivo

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Lozancic. Ljubic, who last year was trying to cast himself as a pro-European moderate, has taken on as his advisor Drazenko Primorac, a former associate of the (now-convicted) one-time Croat member of the BiH Presidency, Ante Jelevec.

15. (C) Ljubic's recent rhetoric, both public and private, confirms his swing toward a hardline defense of Croat interests. On May 19, he told us that he would "never" compromise his principles on constitutional reform, which would only cement the entity system and weaken Croat influence in state institutions. He claimed it was up to the U.S. to bring the Bosnian Serbs to a (different, presumably pro-Croat) compromise. When asked how BiH would pursue reforms needed for EU membership in the absence of U.S. or OHR initiatives, Ljubic shrugged, saying "Maybe we'll just go back to fighting each other then."

16. (C) So far, Ljubic is hyping his credentials as a defender of Croat interests generally, waiting until the upcoming party congress to define further specifics on issues. Avoiding Bosnian domestic issues means that Ljubic is increasingly running against the international community and the U.S. In one recent example, Ljubic publicly averred that the referendum in Montenegro was somehow linked to constitutional reform -- reform here, he claimed, was part of a plan to compensate (presumably Serb) losses at the expense of Croats in BiH.

BUILDING A BASE

17. (C) Meanwhile, the race is on between Ljubic and Covic for HDZ voters and assets. HDZ is asking the BiH Election Commission to prevent HDZ 1990 from registering for the elections in October, and is also fighting for control of the party symbol, name, etc. Rumor has it that the two will also be battling over party properties. There are also reports that Croatian political figure Ivic Pasalic is bankrolling Ljubic and the HDZ 1990, though that remains also in the realm of rumor.

18. (C) At the grassroots level, HDZ 1990 is quickly establishing its party infrastructure by forming municipal boards, though their regional strength varies considerably. In Capljina (a stronghold of Ljubic associate Pero Markovic), 11 city councillors have opted for HDZ 1990, with only four still loyal to Covic. But some in Covic's HDZ argue that Capljina (and Ravno municipality) are making a huge mistake, as Covic still has influence over Cantonal officials who control municipal purse strings. In Siroki Brijeg and Grude municipalities, Covic's support is holding firm, though that may change; this is a Vinko Zoric (HDZ 1990) stronghold. Ruza Sopta, the HDZ representative in the BiH House of Representatives who has so far stuck with HDZ, is probably a weak link; she voted with HDZ 1990 against constitutional reform, claiming she "could not go home" to Siroki Brijeg otherwise. Mostar is (so far) considered to be a Covic stronghold, though HDZ 1990 is building its organization there. In addition, having shown its strength in the BiH parliament, HDZ 1990 quickly established its caucus in the entity-level Federation parliament (six representatives plus one member of the House of Peoples).

19. (C) But nascent party structures in key locations does not mean that HDZ 1990 is on a winning streak. HDZ president Covic is clearly biding his time, in part due to the imminent conclusion of his own court case. Covic -- a tough and canny politician -- told the Ambassador that he believed HDZ 1990 was so structurally weak that it would not be able to surmount the minimum vote threshold for representation in the BiH parliament in October. Covic also believes that the declining number of Bosnian Croat voters in BiH means that there will be only four, not five Croats (from exclusively Croat parties, as opposed to Croats running in multi-ethnic parties like the SDP) in the next parliament. Though Covic's assessment is self-serving, it is not wrong, at least not now. It remains an open question whether HDZ 1990 can build a functional party structure that will be effective in October.

#### LJUBIC FOR PRESIDENT?

110. (C) All signs are that Ljubic has his eyes on what he considers the big prize: election as the Croat member of the BiH Tri-Presidency. He believes he will get the job, provided he can gain support from small Croat parties.

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Sources cite recent meetings between Ljubic and HSP (Croat Party of Rights, a small far-right party) leader Jurisic; HSP has agreed to open negotiations with HDZ 1990 despite Jurisic's own open pretensions to the Tri-Presidency slot. Negotiations continue amid rumors that Cardinal Puljic favored the coalition; other coalition partners may also be available if HSP falls through. But undoubtedly Covic and his HDZ supporters are also looking for coalition partners, making a deal potentially expensive.

111. (C) Backing from Catholic Church officials will also be important; their opposition to constitutional reform brought with it a natural alignment with HDZ 1990's stance. HDZ Zagreb's views may also play a role. So far, it has remained above the fray. But Croat citizens resident in BiH also vote in Croatian elections as the eleventh electoral district of Croatia (they did in the 2004 Croatian presidential elections), so HDZ Zagreb may have to deal with the split sooner or later. Croatian Prime Minister Sanader (no fan of HDZ president Covic) recently told Bosnian High Representative Christian Schwarz-Schilling that he regretted the fractures in the Bosnian Croat political scene and believed that "reunification" of the various HDZ factions was possible and even likely -- presumably he was contemplating the possibility that Covic will finally be convicted for financial misdeeds in the ongoing BiH court case, which would open the door for HDZ breakaways to rejoin the mother party.

COMMENT

¶12. (C) The turmoil in the Croat camp has both positive and negative aspects for political developments here. Croats themselves bemoan the fact that their representation, already small, is ever more fractured. Those fractures, however, are a function of internecine fighting and personal animosities, not international interference or pressure. Indeed, breakaway Croat political figures with aspirations to the country's Presidency and Parliament have used the figleaf of constitutional reform to seize the spotlight by opposing the reform, not because it in any way damages Croat interests but because such opposition distinguishes them from fellow Croat politicians -- namely Covic -- who accept the reform mandate.

The atomization of the Croat political front, which for years has been highly monolithic, is not in and of itself a bad thing, opening the door for a greater plurality of voices (though most Croat parties run to the right, not the center).

It will also, however, make it more difficult to negotiate coherent agreements with the Croats, particularly on issues like constitutional reform. Even if the HDZ eventually comes together again, these fissures are likely to remain, and lobbying the restive Croat body politic will become increasingly more complex over time. End comment.

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